




# Hello !!!!!!!





# **Spokane Intercollegiate Research & Technology Institute**

# **SIRTI**

Director of Financial  
Services

**Dave Wingate**

# AGENDA

- **INTRODUCTION (What do I do?)**
- **SPECTRUM OF REVOLVING FUNDS**
- **DEAL KILLERS**
- **FLASH THE 'FINANCE' MENU**
- **REVIEW SOME 'Cottage Industries'**
- **POLICY ISSUES**
- **CONTRIBUTORS**
- **QUESTIONS**



The logo for SIRT (Southern Illinois Rural Transportation) is located on the left side of the slide. It features a stylized lightning bolt graphic above the word "SIRT" in a bold, sans-serif font. The background of the slide is a light blue gradient.

**What Do I Do????**

The logo on the left side of the slide features a stylized lightning bolt striking a sphere, with the letters 'SIRTI' written vertically in a bold, sans-serif font below it.

# **Community Development Finance**

**Economic Development**

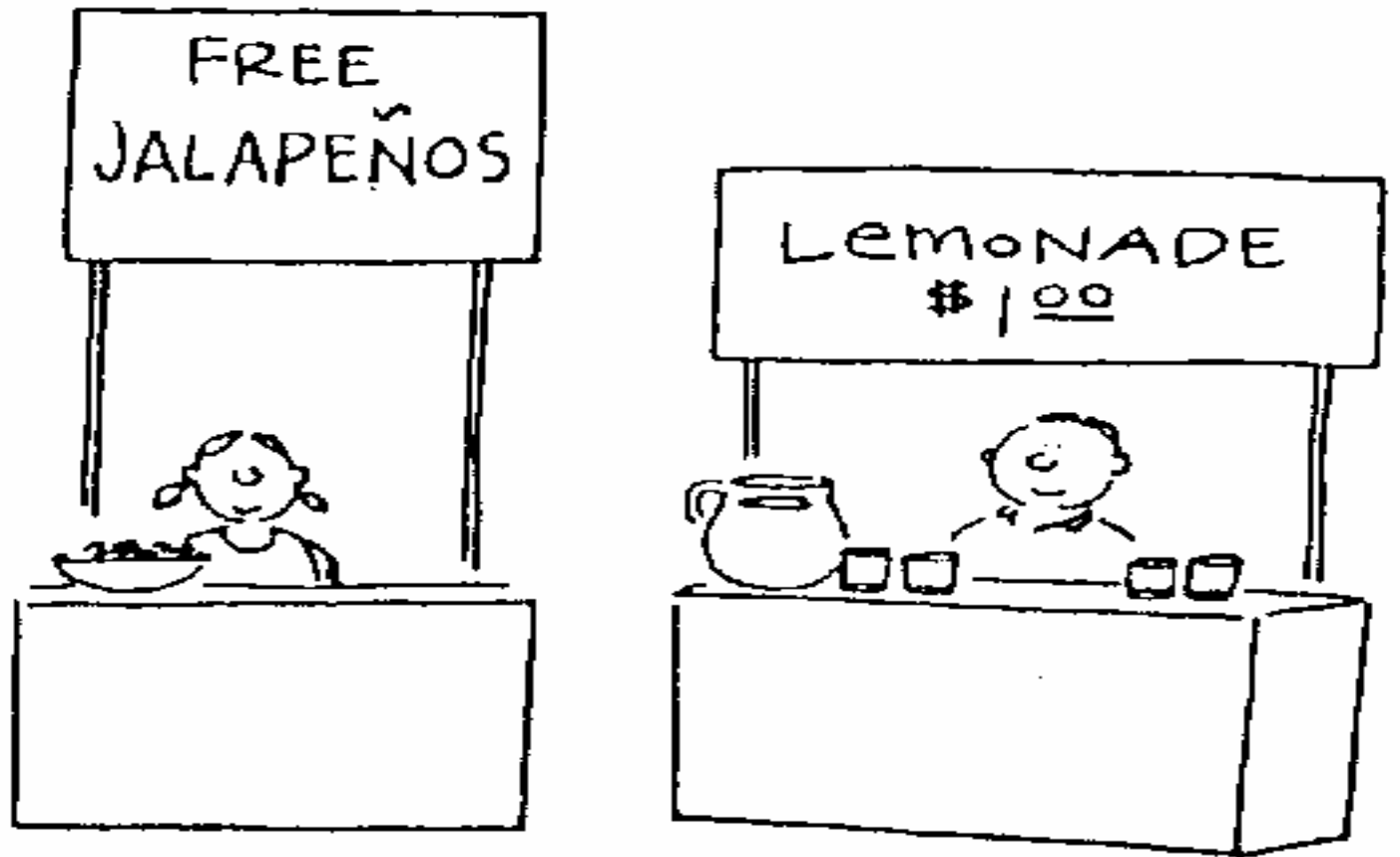
**Job Creation & Retention**

**Help Small Business Access Capital**

**SIRTI**

**Accelerate Growth of Technology  
Companies**

# Building Strategic Partnerships



Goff



# Partnership Lending

- **Commercial Banks**
- Commercial Finance & Lease Companies
- US Small Business Administration
- Certified Development Companies
- US Dept of Agriculture- RD & Forest Service
- US Bureau of Indian Affairs/Tribal Credit
- State Development, Coastal & Timber RLF
- HUD, CDBG, CERB, PWTF, EDA
- **Local Revolving & Micro Loan Funds**





# Services

- Deal Structuring
- Loan Packaging
- Negotiating, Advocacy & Referral (SCORE, SBDC & EDC's)
- Partnership Building- Private, Local, State & Federal Loan Programs
- Attract Private Capital to Leverage Public Loan Funds

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# DEAL STRUCTURING

- Early Identification of DEAL KILLERS
- Identify Finance Tools which fit the SCOPE of the project and NEEDS of the business
- Identify BEST SOURCES of Funds:
  - Match Project & Business with,
  - Eligibility Criteria
  - Underwriting Standards
  - Mission of Private & Public Lenders
  - Natural Partnerships
- Initiate Preliminary Lender Negotiations

# Loan Packaging

- Negotiate Lender's Agreements
- Make sure all PAPERWORK is done
- Make sure the package is COMPLETE the FIRST TIME.
- Each Lender's requirements are addressed
- ANALYSIS & WRITE UP if necessary
- LOAN PRESENTATION, if necessary
- Follow for APPROVAL
- Deal with any problems that arise



The logo for SIRTI (Southwest Industrial Resource Training Institute) is located on the left side of the slide. It features a stylized lightning bolt striking a globe, with the letters 'SIRTI' in a bold, sans-serif font below it.

# CTED 10 Year Production

- 158 Deals
- Projects totaling over \$130,605,430
- Created or Retained 3,082 Jobs
- \$32,876,432 of public loan funds was leveraged by \$97,728,998 of private loan funds.
- Largest - \$19,500,000; Smallest Deal \$5,000

***90% of Production in Rural, Resource  
Dependent, High Unemployment  
Communities.***

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# **Rural Enterprise & Small Business Development STRATEGIES**

- The LOTTERY
- GARDENING
- BREAD & BUTTER



# The LOTTERY

- **RECRUITING**- The effort to attract outside firms to locate in your community.
- **HIGH FRONT END INVESTMENT.**
  - CASH, RESOURCES, TIME & ORGANIZATION
- **LOW ODDS OF SUCCESS** particularly in small communities.
- **HIGH RETURN** if successful/big impact.
  - FAMILY WAGE JOBS, ALOT OF JOBS, OFTEN MANUFACTURING OR HIGH TECH/VALUE ADDED PROJECTS





# GARDENING

- **NEW BUSINESS DEVELOPMENT- START-UP & EMERGING BUSINESSES** (includes home based & cottage industry)

The effort to assist local entrepreneurs to start a business. Efforts range from technical assistance and peer support groups to business incubators and financing.

- **Long Term Strategy**- providing the seeds for future expansion and job creation.
- **High Risk**- Without significant nourishing (technical assistance, financing & resources) 60-70% fail in 1st 3 years.

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# BREAD & BUTTER

- **RETENTION & EXPANSION OF EXISTING BUSINESSES-** The effort to keep and expand the industry, business & economic activities currently in the community.
- **75-85% of JOBS created and retained come from this strategy.**



# **Spectrum of Revolving Loan Funds**





# Spectrum of Revolving Loan Funds

- **STATE MANAGED RLFs**- Generally used for larger projects (\$500,000 to \$10,000,000). Recruiting, Retention, Expansion and Start-ups. Driven by job creation.
- **LOCAL RLFs**- Medium projects <\$1,000,000. Loans range from \$7,500 to \$250,000. Focus on Retention, Expansion and Start-ups. Driven by job creation.
- **MICRO LOAN FUNDS**- Usually <\$35,000. Used primarily for start-ups and self employment.



# Micro Lending Report

- **Most Difficult Type Of Lending Due To Lack Of Management Sophistication**
- **High Volume of Interest, Few Finish the Process**
  - **3 Micro Lenders covering four counties**
    - **410 Inquiries**
    - **170 Start Business Planning Process**
    - **44 Applications**
    - **32 Loans, Average Amount \$15,000**
- **Problems include**
  - **Budget & Staff Cuts**
  - **Inadequate Resources to Provide Technical Assistance**



# **THE FINANCE MENU**

**Private & Public Economic  
Development Finance Tools for  
Home Based & Cottage Industry**

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# **FINANCE MENU- EQUITY**

## **Personal Assets**

- Savings
- Sell Assets- Toys
- Existing Business Assets
- Retirement/401K
- Early Inheritance
- Gifts



# **FINANCE MENU- EQUITY**

## **Personal Loans**

- Friendly Debt
- Credit Card
- Bank Loan
- Credit Union
- Finance Company
- Hard Money
- Home Mortgage
- Retained Earnings- Bootstrapped
- Other Owners or Partners (loan or new equity)

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# **FINANCE MENU- Debt**

- **Trade Suppliers**
- **Factoring & Purchase Order**
- **Seller Financing**
- **Dealer Financing**
- **Commercial Finance & Lease**

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# **FINANCE MENU- Debt**

- **Micro Loans**
- **Commercial Banks**
- **SBA 'Low Doc'**
- **SBA Express**
- **SBA Guarantee**
- **Local Revolving Fund**



The logo for SIRTI (State Infrastructure Revolving Trust Fund) is located on the left side of the slide. It features a stylized lightning bolt striking a sphere, with the letters 'SIRTI' in a bold, sans-serif font below it.

# **FINANCE MENU- State Tools**

- **Rural Washington Loan Fund**
- **Forest Product Revolving Fund**
- **Childcare Loan & Grant Fund**
- **Coastal Revolving Fund**

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# DEAL KILLERS

## Major Problems Faced by Small Businesses

1. Management Capacity
2. Equity

# **A ‘Cottage Industry’ Sampler**





# **QUILISASCUT CHEESE CO.**

## **Rice, WA**

**Started in 1981 as a small family farm.**

**1987 Licensed to sell cheese in Washington**

**Currently 36 acres and 60 goats**

**Produce 5,000 lbs of cheese per year**

**Gross Cheese Sales \$35-40 thousand/year**



# **CHAKAR CHERRIES**

**Started as a failing family owned cherry farm**

**Local Revolving Fund provided initial 100,000 equipment financing**

**Hanford RLF & Local RLF financed purchase of husband's interest and additional equipment**

**Now @ Port of Benton & runs 3 retail stores, 35 to 50 jobs and sales of \$4.0-6.0 Million.**

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# **BEAR CREEK LUMBER**

**CUSTOM HOME SPECIALTY LUMBER  
FOR HIGH END CONSTRUCTION &  
OWNER BUILDERS**

**Twisp, WA**

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# **BEAR CREEK LUMBER**

**Started in 1977 as Mom & Pop business with  
lumber in the front yard and a WWII issue  
fork lift truck.**

**Currently export 90% of \$4.5 million sales  
out of state**

**20% of sales offshore including Hawaii,  
Canada, Mexico, Europe, Asia & Carribean**

**Internet has significantly increased sales as  
customers can find Boutique Items**



# **BEAR CREEK LUMBER**

**BOOTSTRAP Financing 1977 to 1999**

**1999- Local RLF loan to finance T1 line, ISP, internet software & hardware**

**2002- State Timber RLF loan to finance local high end and exotic timber inventory helps to increase sales by 35% to \$4.5 million in 2003**

**Would not exist with current local zoning and GMA.**




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# **POLICY ISSUES**


## **Cottage/Home Based**

Based on Responses from  
Cottage/Home Based Businesses &  
Micro & Local Revolving Fund Lenders

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# **Are there state or local government policies that are affecting the development of home-based cottage industries in our state?**


- **B&O Taxes-** Tax before start up is profitable
  - Raise annual revenue exemption to \$200-\$300 thousand
- **Local Zoning & State Growth Management.**



# What can state or local government do to improve the promotion, development, and growth of home-based cottage industries?

**PRIORITIZE Federal** pass through dollars for resources directed toward the start up and growth of home based cottage industry:

- **Loan and near equity capital for Micro & Revolving Loan Funds**
- **Incubators, display space and marketing services**
- **Broadband, DSL & Wireless Internet in Rural Areas**




# **What can state or local government do to improve the promotion, development, and growth of home-based cottage industries?**

**THINK LONG TERM!**


**PRIORITIZE State dollars to:**

- Matching funds to leverage Federal, Local & Private funds for:
  - **Technical Assistance & Operating Funds for:**
    - **Micro & Revolving Loan Funds (State & Local)**
    - **Community Development Finance**




# **What can state or local government do to improve the promotion, development, and growth of home-based cottage industries?**

- **Convene Home Based Cottage Industry Owners and Get Direct Feedback on Regulatory, Taxation and Insurance Issues**



**Has an accurate measure been  
taken of home-based cottage  
industries in our state?**

**NO!**

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**Which home-based cottage industries are considered to have the greatest growth potential, and how can state policies assist in their development?**

## **GOURMET/SPECIALTY & NICHE MARKETS**

- **VALUE ADDED:**
  - **AGRICULTURE**
  - **TIMBER**
- **CERTIFIED ORGANIC**
- **LONE EAGLES**





# **Are laws restricting commerce in the home outdated in this electronic era?**

- **Little Response**



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# **Contributors**

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# Contributors

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A vertical blue banner on the left side of the slide. It features a stylized lightning bolt at the top, followed by the word "SIRTI" in large, white, bold, sans-serif capital letters. Below the text is a white graphic of a hand with fingers spread.

# Questions?

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